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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 003409

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STATE PASS AIT/W

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TAGS: [PREL](#) [PGOV](#) [CH](#) [TW](#)

SUBJECT: TAIPEI SEEKS TO LIMIT FALLOUT OVER SECRETARY'S BEIJING INTERVIEWS

REF: A. TAIPEI 3353

[TB](#). 10/26 AIT-EAP/TC E-MAIL (NOTAL)

[TC](#). TAIPEI 3234

Classified By: AIT Director Douglas Paal, Reason: 1.4 (B/D)

[¶1.](#) (C) Summary: Chen administration officials are working to limit media and political fallout from a set of interviews given by Secretary Powell in Beijing on October 24. President Chen Shui-bian expressed appreciation to the AIT Director on October 28 for a series of public statements by the Secretary and other Department officials clarifying that U.S. policy has not changed. Nevertheless, the media and political parties continue to utilize the episode to advance a variety of domestic political agendas. The Taiwan Solidarity Union (TSU) has focused on the Secretary's remarks in an attempt to resuscitate their flagging Legislative Yuan (LY) campaign while the opposition Pan-Blue has used the episode to justify opposition to the USD 18 billion special defense procurement budget. Former President Lee Teng-hui has played both sides of the public debate, asserting on the one hand that the Secretary's remarks were blown out of proportion by an ignorant Taiwan media but also asserting that the comments should remind Taiwan's people of the need to become a "normal country." Some Democratic Progressive Party (DPP) officials warn that the episode could have longer term policy consequences, including over the fate of the special defense budget. Other observers, however, suggest that the incident will help remind leaders in Taipei that Taiwan does not exist in a vacuum. End Summary.

Switch to Moderation

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[¶2.](#) (C) Chen administration officials are sending out reassuring messages to the media in an effort to stem the public relations furor that they themselves fanned after Secretary Powell's comments on Taiwan's status during two

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October 24 interviews in Beijing (Ref A). President Chen Shui-bian told the Director October 27 that he appreciated the Secretary's subsequent clarification and the State Department's reassurances that U.S. policy had not changed. Presidential Office Deputy Secretary General James Huang told reporters the same day that the Powell CNBC interview and statement by EAP DAS Schriver to TECRO Washington Rep. David Lee that the USG still respects the 1982 U.S.-Taiwan "Six Assurances" were "helpful and positive." Unnamed presidential aides told the Taiwan media that the leadership "breathed a sigh of relief" following Washington's clarifications that the Secretary did not intend to signal a new policy change. Soon thereafter, signs emerged of efforts to stop the damage and take credit for effective "crisis management" by the Chen administration.

[¶3.](#) (C) The initial response in Taipei to the Secretary's interviews was shock, combined with fear that the USG had decided on a major policy reorientation without Taipei's knowledge. Mainland Affairs Council (MAC) Chairman Joseph Wu told AIT that Taipei's biggest concern was that the Secretary's statements on reunification and non-sovereign

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status would become regular policy formulations. Presidential Office Secretary Liu Shih-chung said Taipei was also surprised over the timing of the statements, noting that Taipei has been trying for months to repair relations with both Beijing and Washington. Green-leaning Academia Sinica political analyst Hsu Yung-ming asserted that "what the DPP feared most was that there was some major U.S. policy decision made and they had totally missed signs of its formulation."

[¶4.](#) (C) The Chen administration's current attempts to play up the strength of the U.S.-Taiwan relationship stand in contrast to the initial barbed public response to the Secretary's references to Taiwan's lack of sovereignty (Ref

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B). President Chen used public meetings with visiting foreign delegations on October 25-27 to emphasize Taiwan's

sovereign and independent status and complain that it is "unfair" that many countries do not recognize this "fact." Premier Yu Shyi-kun and Foreign Minister Mark Chen offered similar comments during Legislative Yuan (LY) interpolations.

Yu went further than other officials on October 28 when he used the "one country on each side" formulation initially coined by Chen Shui-bian in 2002 to describe relations between Taiwan and the Mainland. No senior official has used the phrase since the March 20 election.

15. (C) The decision to take a combative public line was clearly made at the top. Officials like MAC's Wu and Presidential Office Deputy SecGen Huang told AIT immediately after the Secretary's interview was reported in Taipei that they would counsel a quiet, low-key response. MOFA North American Affairs Director General Victor Chin told the Deputy Director that the decision to tone down rhetoric was also made at the top. Chin said that Chen discarded plans to make barbed comments at an Asia Foundation dinner on October 28 after learning about Secretary Powell's interview with CNBC. However, just as Yu appeared to play domestic politics with "one country on each side," officials like Huang and Wu consistently used restrained language with the media throughout the week to signal to us that Taipei's commitments to improved relations with Washington and Beijing remain strong.

Political Reaction Polarized

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16. (C) DPP officials expressed somewhat contradictory concerns over the political ramifications of the controversy. DPP Secretary General Chang Chun-hsiung told AIT that the government feared that the Secretary's interview may signal to the public that the USG was pushing Taiwan towards unification. "Many centrists in Taiwan might come to the conclusion that even the United States wants Taiwan to be unified with China," he stated, "so they may decide to simply give up hope." That, he suggested, might also reduce support for the special defense budget. However, Chang's deputy, Chung Chia-bing, and officials at the Presidential Office and MAC expressed the exact opposite concern, warning that the Secretary's sovereignty language would strengthen the hand of

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pro-independence fundamentalists. Chung noted that the TSU decided after the Powell interview to reschedule a "name rectification" rally on December 5 that had been originally canceled under pressure from the DPP, which is planning a rally on December 4 that will feature a more moderate nationalist agenda (Ref C). Academia Sinica's Hsu asserted that the Secretary's comments on Taiwan sovereignty breathed new life into the TSU's floundering electoral campaign. Hsu warned that the TSU may follow-up on the episode by proposing a referendum on whether or not "Taiwan is a sovereign, independent country" in conjunction with the December 11 LY election, a move Hsu said would put the DPP in an awkward position.

17. (C) Opposition leaders seized on the Beijing interviews to lash out at the DPP's mismanagement of relations with Washington, burnish their own nationalist credentials, and justify their recent opposition to action on the USD 18 billion special procurement budget for U.S. defense articles.

Pan-Blue legislators placed a hold on the special budget bill in the LY pending a "satisfactory U.S. explanation for the Secretary's remarks," provoking a food fight with ruling party counterparts at a lunch-time committee meeting. LY President Wang Jin-pyng told reporters on October 28 that the controversy had negatively impacted on the atmospherics for the special budget debate but said that this did not excuse Pan-Blue parties from fulfilling their commitment to start deliberations on the authorization portion of the bill before the November 11 recess. However, DPP LY Defense Committee Convener Lee Wen-chung told AIT that the latest confrontation will make it virtually impossible for any serious deliberations on the special budget until after the December 11 election. Lee added that the controversy over the Secretary's interview would likely not be a factor in the

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special budget's prospects after December 11.

Lee Teng-hui Plays Both Sides

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18. (C) Former President Lee Teng-hui offered sharply divergent responses to the Secretary's interview, perhaps reflecting conflicting pressure from the TSU and his more realist advisors (Septel). Lee's first reaction was to scold the Taiwan media for blowing the incident out of proportion, asserting that the Secretary's formulation on Taiwan's sovereignty was simply a recitation of the USG's long-standing position. However, Lee later characterized Powell's comments as a reminder of Taiwan's current abnormal status. While TSU candidates used the recent media attention to boost their campaign efforts, some moderate Lee associates

also expressed satisfaction over the episode for very different reasons. Lo Fu-chen, Chairman of the quasi-official Association of East Asian Relations and a long-time Lee confidante, told AIT that the Secretary's statement will serve as a useful reminder to Chen Shui-bian. "Chen gets too wrapped up in domestic political dynamics and forgets that as a leader he also needs to operate at the international level," Lo stated. Lo said that he appreciates Washington's willingness to remain ambiguous about Taiwan's status, but added that "sometimes you need to inject some clarity to remind Chen about how important ambiguity is in the cross-Strait setting."

Comment: Lessons Learned?

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19. (C) It is still too early to say conclusively whether the Chen administration has learned the lesson that it must be more restrained in its public as well as private dealings with the United States. The history of the last few years does not encourage optimism. The Chen administration has clearly instructed its officials to send the message that it is business as usual. This is likely aimed, at least in part, to prevent the TSU and Pan-Blue from scoring additional political points in the ongoing election campaign.

10. (C) If there is a silver lining, it may be that the episode has created a renewed appreciation for how much influence Washington can wield over Taiwan's domestic political environment. DPP SecGen Chang noted that President Bush's December 9, 2003 statement on Taiwan nearly destroyed Chen's hopes for re-election and expressed fear that the Secretary's October 24 remarks might do something similar in

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the current LY campaign if not handled correctly. In assuring Taiwan officials that U.S. policy has not changed, AIT has also used the opportunity to remind them about how important ambiguity regarding Taiwan's sovereign status is for both sides of the Taiwan Strait.  
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